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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Billed Party Preference) CC Docket No. 92-77
for 0+ InterLATA Calls)

COMMENTS OF BELL ATLANTIC

Bell Atlantic[1] agrees with the Commission that billed party preference would make operator services more "user friendly," would re-focus competition in the provision of operator services on the end user and would promote competitive parity in that marketplace.[2] The benefits of billed party preference could be lost, however, and the costs of deploying billed party preference wasted, unless the Commission is careful in prescribing rules and cost recovery mechanisms for its implementation. In addition the Commission should not add unnecessarily to the already significant cost of billed party preference by requiring exchange carriers to implement a 0+ interLATA presubscription separate from customers' already existing interLATA presubscription choices.

The Commission has tentatively concluded that for billed party preference to work, it must be mandatory and ubiquitous.[3]

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1 The Bell Atlantic telephone companies ("Bell Atlantic") are The Bell Telephone Company of Pennsylvania, the four Chesapeake and Potomac telephone companies, The Diamond State Telephone Company and New Jersey Bell Telephone Company.

2 Notice of Proposed Rulemaking ¶¶ 16, 19, 20 (released May 8, 1992) ("Notice").

3 Notice ¶ 31.

Bell Atlantic agrees and urges the Commission to require that any system of billed party preference

> be required for all exchange carriers and all alternate access providers that provide switched services;
>
> prohibit payphone providers and aggregators from programming their equipment to dial around billed party preference; and
>
> not be designed or priced in a way that encourages carriers to instruct consumers to bypass the system by dialing access codes.

Bell Atlantic previously indicated that it could implement billed party preference within three years of the Commission's decision requiring it. One of the major switch manufacturers recently advised the Bell companies that it could not introduce billed party preference capabilities before mid 1995. This means that billed party preference could not be fully deployed until mid 1996 at the earliest.

1. **The Definition of Billed Party Preference**

Billed party preference should be implemented in all end offices, and Part 68 of the Commission's rules should be amended to prevent traffic aggregators and payphone providers from "dialing around" billed party preference. If billed party preference is not mandatory from private payphones, those stations will rapidly replace exchange carrier payphones and the benefits of billed party preference will be lost. Alternate access providers must also be required to offer billed party preference to the same extent as other providers of exchange access services.

Billed party preference should be implemented for all 0+ and 0- interLATA traffic. Bell Atlantic's original proposal was more limited because Bell Atlantic was responding to the decree court's directive, which was focused on payphones. The Commission rightly points out that a uniform dialing plan for all operator-assisted calls will be more convenient for the public than a partial implementation of billed party preference.[4]

Billed party preference could be deployed in a way that would allow callers to continue to dial 10XXX codes to choose a carrier for an operator-assisted call. To do this, however, Bell Atlantic would have to install new signaling capabilities in every one of its end office switches. While it is not certain how much these capabilities would cost, Bell Atlantic believes that it would be in excess of $50 million. Bell Atlantic questions whether an expenditure of this magnitude is in the public interest just to provide this capability.[5]

The Commission should reject the suggestion of MCI and others that every subscriber should now have the opportunity to have <u>two</u> presubscribed interLATA carriers -- one for 1+ calls and a different one for 0+ calls -- and that there be another round of

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[4] As indicated in Bell Atlantic's original petition, billed party preference can be accomplished on collect and third-number-billed calls and on calls charged to exchange carrier calling cards and interexchange carrier cards in either the CIID or 891 format. Callers could use their commercial credit cards as they do today, by dialing their chosen carrier's access code.

[5] Even without 10XXX dialing, customers could still reach other carriers using 950 or 800 access arrangements.

customer ballots to solicit 0+ presubscription choices.[6] While some interexchange carriers might want such a process to help them in their own marketing efforts, there is no suggestion that consumers want to have two different pre-selected carriers for their interLATA calls. In fact, most consumers are still confused by the original presubscription, ballot and allocation process. That confusion would only be magnified if there was now a second go-round of customer notifications, and advertising and telemarketing by the interexchange carriers, with the accompanying "slamming" disputes. If there really are consumers who want their 0+ calls handled by a carrier other than their 1+ carrier, they can readily achieve that result under billed party preference simply by using a calling card issued by their 0+ carrier.[7]

The cost of this process to the exchange carriers, and ultimately to the public, would be significant. Bell Atlantic would have to spend millions of dollars to develop and implement internal systems for administering separate 0+ presubscription information, change its service orders and service order procedures, educate consumers and expend considerable service

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[6] The Commission is apparently misinformed when it characterizes this as the "current industry plan." Notice at 5 n.13.

[7] Nor should customers be solicited for their choice of a secondary 0+ interexchange carrier -- the carrier which would handle their calls when their primary 0+ carrier is unavailable. Most consumers do not understand why they have to have two different telephone companies today -- they will be completely befuddled as to why anyone would want them to choose four. It should be up to the presubscribed carrier to make arrangements for ensuring that its customers have alternate providers where the primary carrier does not do business.

representative contact time answering customer questions under such a scheme. If balloting is required, millions more would be spent. Because the costs of this proposal and the public confusion it would engender are not required to achieve the pro-consumer goals of billed party preference, the Commission should reject it.

2. **Recovery of the Costs of Billed Party Preference**

The Notice asks for estimates of the costs of implementing and operating a billed party preference system for different kinds of interLATA traffic.[8] These estimates are provided in Attachment A.

The Notice suggests that billed party preference should be a new service under price caps.[9] Bell Atlantic strongly disagrees.

The costs of implementing billed party preference plainly are "costs . . . triggered by administrative, legislative or judicial action beyond the control of the carriers."[10] As Bell Atlantic has previously indicated, the decree court has concluded that the decree requires the Bell companies to implement billed

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[8] Notice ¶ 25.

[9] Id. at 11 n.30.

[10] Policy and Rules Concerning Rates for Dominant Carriers, 5 FCC Rcd 6786, 6807 (1990). The costs of billed party preference are not the sort of "equal access costs" which the Commission found are not exogenous. Id. at 6808. Those costs, the Commission found, had already largely been incurred by 1990 and were already embedded in existing rates. This, of course, is not the case with billed party preference.

party preference.[11] That court ruled that it "expects that the Regional Companies will continue to expeditiously perfect" billed party preference[12] and later characterized that order as having "instructed [the Bell companies] to work towards the implementation" of that technology.[13] Other parties, including several interexchange carriers, agree.[14] The court's holding was in spite of arguments that payphone presubscription satisfied the Bell companies' equal access obligations.[15]

If the Commission concludes that these are not exogenous costs and that new service treatment is appropriate, the Commission should prescribe that the costs of billed party preference be recovered on access for all operator-assisted calls -- those dialed simply with 0+ and those dialed with an access code. If this is

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[11] Bell Atlantic Petition for Rulemaking at 1-2 (Apr. 13, 1989) and Supplemental Comments of Bell Atlantic at 2 (Nov. 22, 1991) In the Matter of The Bell Atlantic Companies' Petition for Rulemaking To Establish Uniform Dialing Plan From Pay Telephones, RM-6723.

[12] *United States v. Western Elec. Co.*, 698 F. Supp. 348, 367 (D.D.C. 1988).

[13] *United States v. GTE Corp.*, No. 83-1298, slip op. at 4 (D.D.C. Dec. 23, 1988).

[14] Opposition of Sprint to Motion of Bell Atlantic (Nov. 20, 1991) and MCI's Response to Bell Atlantic's Motion for a Further Order Concerning Billed Party Preference (Nov. 13, 1991), filed in *United States v. Western Elec. Co.*, No. 82-0192 (D.D.C.).

[15] *United States v. Western Elec. Co.*, 698 F. Supp. 348, 366-367 (D.D.C. Dec. 23, 1988). See Memorandum of U.S. West in Response to Order Dated August 5, 1988 at 5-6 (Aug. 10, 1988) and Memorandum of Pacific Telesis Group Regarding Routing of InterLATA Traffic from Operating Company Public Telephones at 1 (Aug. 26, 1988), both filed in *United States v. Western Elec. Co.*, No. 82-0192 (D.D.C.).

not the case, and if the costs are recovered only on 0+ calls, interexchange carriers will have the incentive to instruct customers to dial around the billed party preference system. AT&T, of course, does not support billed party preference and, therefore, can be expected to encourage customers to dial 10288 if it will save AT&T any money to do so. These dial-arounds, just like the pre-programmed dial-arounds of private payphones, could effectively nullify the exchange carriers' substantial investment in billed party preference and make their costs unrecoverable.[16] It would also deprive consumers of the main benefit of billed party preference -- automatically getting their chosen carrier without dialing unnecessary digits.

Recovering billed party preference costs on 10XXX calls makes sense for another reason as well. A significant portion of the up-front cost of billed party preference -- more than $50 million -- will be incurred to upgrade the network to accommodate 10XXX dialing in a billed party preference environment. To do this, Bell Atlantic must install in every end office the capability of recognizing 10XXX 0+ calls and splitting them off from the rest of the 0+ traffic for delivery to the chosen carrier.

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[16] To the extent this program succeeds, exchange carriers could be unable to meet the net revenue requirement for the new service.

3. There Are No Technical or Competitive Reasons Not To Require Billed Party Preference.

The Commission asks whether billed party preference would degrade service.[17] It would not.

First, with SS7 signaling between exchange and interexchange carriers, access times for billed party preference calls should be no greater than today's access times.

Second, billed party preference would not require callers to provide the same information twice or speak with two operators. This is because new network capabilities and SS7 interconnection will permit exchange carriers to pass on the information provided to them for carrier identification purposes to the interexchange carrier.[18]

Billed party preference is also pro-competitive and would re-focus competition for operator services where it belongs -- on the consumer rather than on the aggregator.

The Commission can prescribe billed party preference in a way that will not harm payphone competition. While billed party preference could reduce the ability of private payphone providers to pay commissions to premises owners -- because those providers

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[17] Notice ¶¶ 26-27.

[18] The only exception could occur when a customer making a collect call voluntarily gives his or her name before the exchange carrier operator hands off the call to the interexchange carrier. In that case, the caller will have to repeat the name to the interexchange carrier operator.

Many independents obtain their operator services capabilities from the Bell and General telephone companies. These companies will automatically get the benefits of the technology in these carriers' networks for eliminating the two-operator problem.

would no longer receive commissions from the interexchange carriers -- this would merely put these providers on the same competitive footing as Bell Atlantic. However, Bell Atlantic agrees that a mechanism, similar to the Commission's plan for compensating private payphone providers for dial-around calls, is appropriate to compensate all payphone providers or their customers for calls placed on a billed party preference basis.

4. It Is Not Feasible To Load OSP Calling Card Numbers Into LIDB.

The Notice asks whether interexchange carriers will be able to issue line-number based calling cards and load those numbers in exchange carrier LIDBs after billed party preference is implemented.[19] While this is theoretically possible, it is not feasible or particularly desirable.

In order for both Bell Atlantic and other carriers to issue line-number cards to Bell Atlantic subscribers, all the card issuers would have to develop coordinated card-issuing systems to make sure that there was never any duplication of personal identification numbers. The problems of such an arrangement were

[19] Notice at 6-7 n.19.

described to the decree court several years ago,[20] and that court did not require such arrangements.[21]

Moreover, any calling card information in LIDB would be available to any carrier -- exchange or interexchange -- that had access to that database. Since no interexchange carrier today has been willing to share its card numbers with any of its competitors, there is no reason to believe that they would want to load their card numbers into LIDB where any accessor could validate them.

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[20] Affidavit of Raymond F. Albers ¶¶ 7-9 (March 10, 1989) filed in *United States v. Western Elec. Co.*, No. 82-0192 (D.D.C.), a copy of which is attached for the Commission's convenience.

At that same time, Bell Atlantic offered to "share" line-number-based cards with carriers other than AT&T, but no carrier ever took it up on this offer.

[21] *United States v. Western Elec. Co.*, 739 F. Supp 1 (D.D.C. 1990).

Conclusion

Billed party preference can benefit the American consumer. If the Commission requires exchange carriers to implement it, the Commission must also require it from private payphones and from alternate access provider networks. It must also prescribe cost recovery mechanisms that will permit these carriers to recoup their substantial investments in the pro-consumer capability.

Respectfully submitted,

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Attachment A

ESTIMATED BILLED PARTY PREFERENCE COSTS

	Capital	One-time Expenses	Annual Expenses
0+ payphone	$28,000,000	$82,000,000	$5,000,000
All 0+	39,000,000	86,000,000	7,000,000
All 0+ and 0-	39,500,000	86,000,000	8,600,000

Bell Atlantic cannot estimate the cost of billed party preference for calls from all aggregator locations -- hotels, motels, hospitals, colleges and the like in addition to payphones. This is because Bell Atlantic cannot determine the 0+ interLATA traffic volumes from such locations.

These figures represent Bell Atlantic's best estimate of the costs of billed party preference. These estimates are based upon a number of predictions and assumptions concerning factors over which Bell Atlantic has no control (such as call volumes and caller holding times), and, therefore, the actual cost could be significantly different.

Perhaps the biggest uncertainties relate to the costs of the various new network capabilities. For example, Bell Atlantic has been given only preliminary price quotations from its suppliers for some of the switch software it will need. These quotations are subject to change, in part based upon the determinations the Commission makes in this proceeding. In other cases, the manufacturers have provided no price information at all, and Bell

Atlantic has made estimates based on the prices of similar features. Because different exchange carriers have different types and vintages of switching equipment, these estimates could vary significantly from carrier to carrier.

In another area, many of the cost elements are sensitive to demand -- the greater the volume, the greater the cost that must be incurred. Bell Atlantic, however, has no way to identify the total number of 0+ interLATA calls originating in its territory. To make its estimates, Bell Atlantic made projections of 1996 traffic volumes based upon Bell Atlantic's current traffic volumes projected to 1996 and applied ratios of inter- versus intraLATA calls developed under the Shared Network Facilities Agreements. These projections assumed that the volume of interLATA operator-assisted calls increase at the same rate as intraLATA operator-assisted calls.

Some of these expenditures by Bell Atlantic will permit interexchange carriers to save expenses. For example, with billed party preference, a caller will give billing information to a Bell Atlantic operator system, which can deliver it on an automated basis to the interexchange carrier's operator system. This will save the interexchange carrier the time -- and therefore the cost -- of obtaining the information from the caller. Although it is impossible for Bell Atlantic to quantify this saving to the interexchange carriers with any precision, it should offset some of Bell Atlantic's projected annual billed party preference operating expenses.

In addition, Bell Atlantic made these assumptions in making these estimates:

1. The average holding time for a billed party preference call is five minutes.

2. Carriers will have the following percentages of the interLATA operator-assisted traffic: AT&T, 69 percent; MCI, 12 percent; Sprint, 8 percent; all others, 11 percent.

3. The average processing time for automated alternate billing service is 22 seconds for billed party preference calls.

4. Eighteen percent of the calls will require a live operator, with 12 seconds average operator work time for billed party preference calls.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Comments of Bell Atlantic" was served this 7th day of July, 1992, by delivery thereof by first class mail, postage prepaid, to the parties on the attached list.

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